International Finance Corporation
World Bank Group

Energy Efficiency:
Business Opportunity for IFC's partners

Asia Pacific Clean Energy Trade Mission
January 12, 2008

IFC's Vision:

That poor people have the opportunity to escape poverty and to improve their lives

- **IFC is a social enterprise, a development finance institution that fosters economic growth in developing countries through investments and advisory services.**
- **IFC demonstrates the profitability of investments in emerging markets, encouraging further investment by private sector financiers.**
- **IFC accepts substantial business risks, going where other investors are unwilling to.**

IFC's Structure

- Owned by 179 member countries
- IFC is the main driver of private sector development in the World Bank Group
- Collaborates with other members of the group, including the World Bank (IBRD and IDA) and MIGA.
- Global: Headquartered in Washington, D.C.
- Local: More than 100 offices worldwide

Bringing Solutions to Clients

- IFC is responding to rising demand for private sector financing and expertise.
- IFC brings solutions to clients through investments and advisory services.
- IFC helps fill unmet needs by directing capital and knowledge to areas not yet benefiting from growth in emerging markets.
- To be close to clients, more than half of IFC's 3,100 staff work in field offices.

East Asia & the Pacific Strategy

Improve Investment Climate

- Focus on frontier countries and areas
- Leverage WBG resources
- Link TA with investments to demonstrate reform

Strengthen & Deepen Financial Systems

- Expand access to finance (rural, SME, microfinance)
- Strengthen banks, leverage portfolio
- Deepen capital markets (new institutions, products)

Expand Physical & Social Infrastructure

- Use advisory services to open sectors to private investment
- Partner with WB for risk mitigation and innovative structures
- Support emerging local players

Promote Sustainable Development

- Promote regional dialogue on E&S impacts of growth with WBG
- Support renewable energy, energy efficiency, carbon trading
- Invest in local champions who model international standards

Objectives

By offering to share risks on P2E2 portfolios, IFC's objective is to promote P2E2 financing by commercial banks in the Region

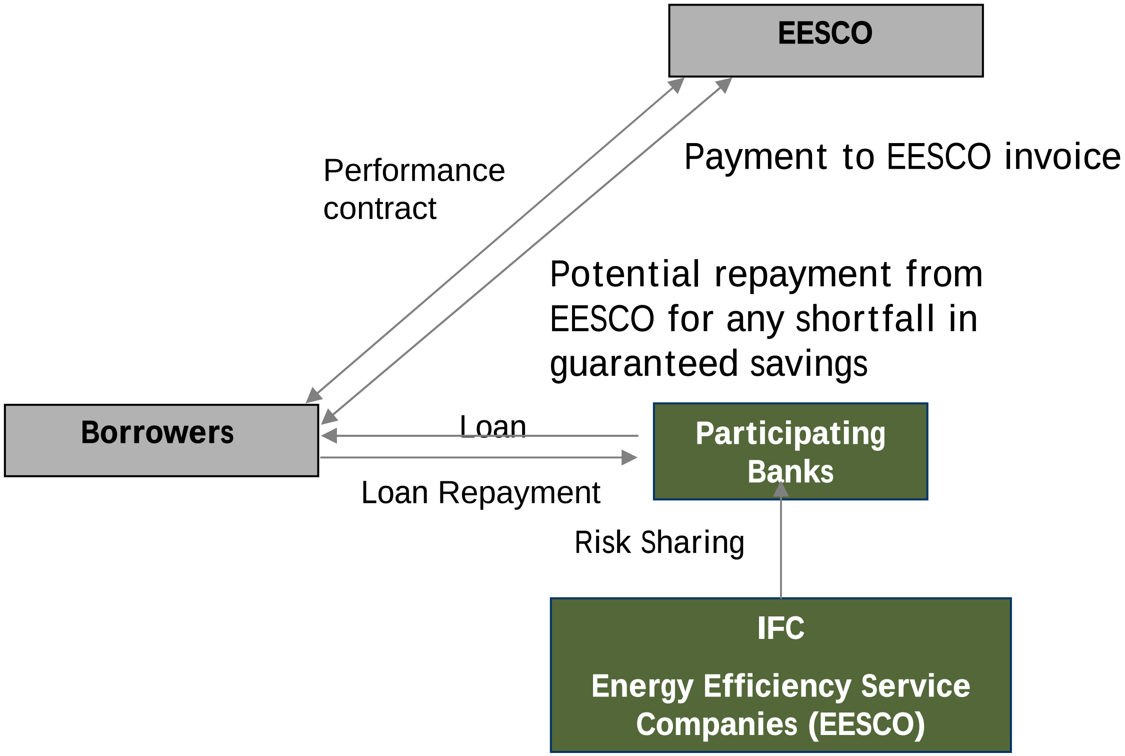
- **Corporate loans with a min. 50% of the EE investment component**
- **Loans to municipalities for EE improvements**
- **Housing loans renovation or construction**

Examples of EE investments include:

- Heating, thermal insulation and lighting systems for buildings, streets, etc.
- Replacement / installation of *energy efficient* boilers, heat control systems
- *Fuel switching* to cleaner source (such as natural gas), renewable energy sources, co-generation
- *Heat recovery* and reduction in heat losses
- Modifications to existing production *technologies*

IFC

P2E2 Risk Sharing Facility - Concept



Risk Sharing Facility

- IFC is partnering with EESCOs and commercial banks to risk share in P2E2 financing Facilities
- Participating Banks provide loans to companies or municipalities who buy equipment and services from the EESCOs

Phase 1: Risk Sharing

- **The Facility will be funded by the Bank but the credit risk will be shared among IFC and the bank.**
- **The EESCO or another partner is expected to absorb the first losses of the portfolio.**
- **IFC and the Bank will share the senior risk on the portfolio of loans at a proportion of [50:50]**

Risk Sharing Facilities – Guiding Principles

- On balance sheet
- Variety of risk sharing profiles
- Structured on a portfolio basis not on a loan by loan
- Portfolio may be ramped up over time
- Risk coverage expressed in local currency
- IFC, EESCO and the Participating Bank agree on a loan eligibility criteria
- Underwriting and loan servicing to be conducted by the Participating Bank with pre-agreed servicing procedures for performing, delinquent and defaulted companies
- Disbursements by IFC and EESCO are made if criteria is met; verification is made at the time of the call on the IFC loss sharing

Risk Sharing Facilities Structure

<table>
<tr><th>ASSETS</th><th colspan="2">LIABILITIES</th><th></th><th></th></tr>
<tr><td rowspan="2">Portfolio of Borrowers
Adhering to Selection Criteria</td><td>Bank
(50%)</td><td>IFC
(50%)</td><td>Senior</td><td>2nd Loss: 90 %</td></tr>
<tr><td colspan="2">EESCO / Other</td><td>Junior</td><td>1st Loss: 10 %</td></tr>
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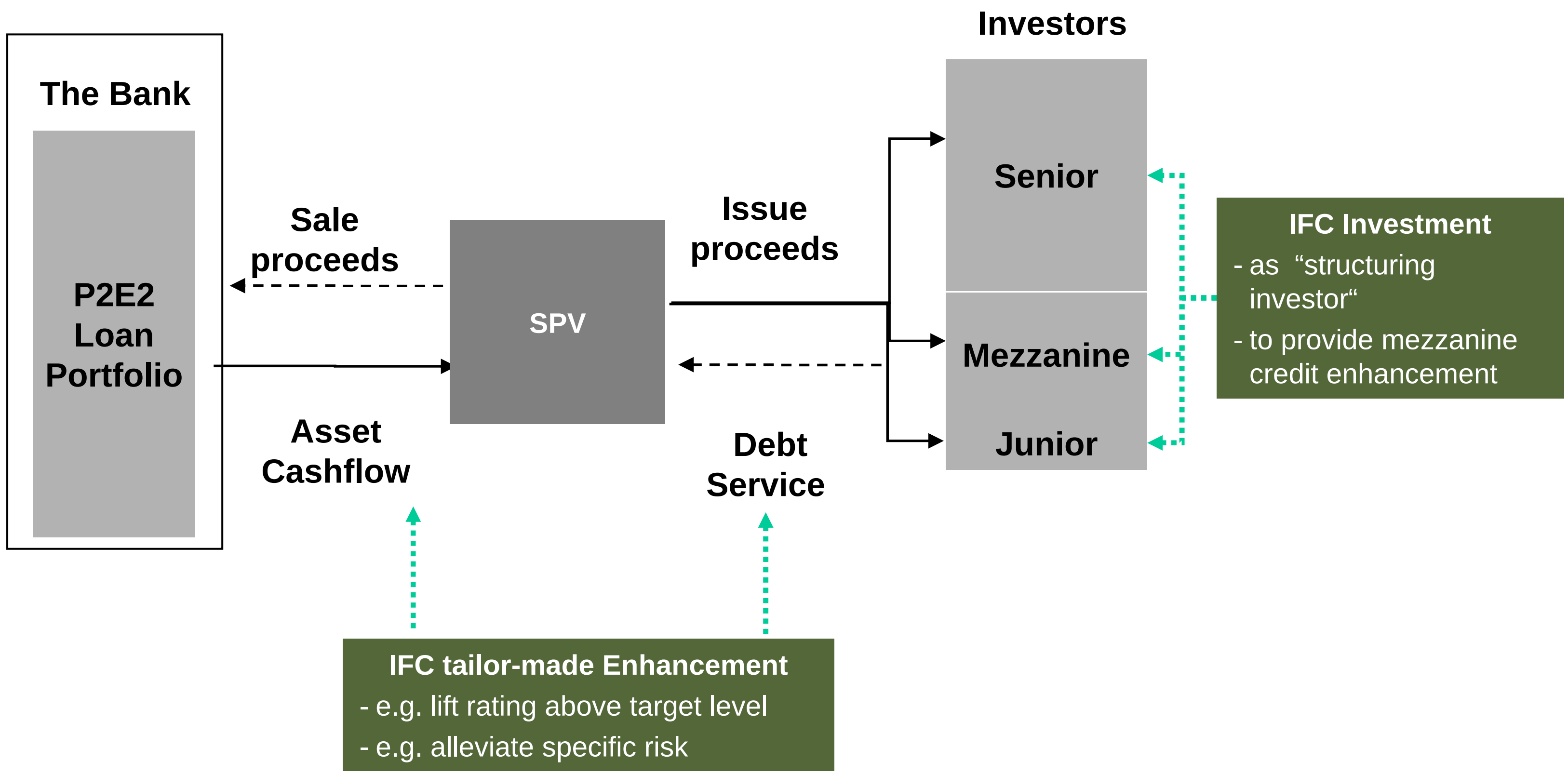
- **The First Loss (Junior) is taken by the EESCO**
- **IFC will reimburse the Participating Bank for 50% of losses in excess of the Junior risk**

Phase 2: Scaling Up

- Size of the Portfolio will increase
- Growth of portfolio could come from redefining the eligibility criteria to include more existing loans or from new origination.
- The objective of phase 2 is to increase leverage by refining the structure creating a mezzanine tranche and a low risk profile senior tranche and attracting other investors. IFC could consider investing in the mezzanine tranche.
- Bring in rating agencies to have them assess the performance of the assets.
- Further Step towards Securitisation

Phase 3: Securitisation

- Provided good performance of Phases 1 and 2, IFC can facilitate a securitization by providing credit enhancement and assisting in negotiations with Rating Agencies



IFC's Structured Finance
Value-Added in transactions